

CITY OF OELWEIN

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2014

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CITY OF OELWEIN

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
After Dec 2013		
Jason Manus (Resigned 8/22/14)	Mayor	January 2016
Peggy Sherret elected 10/7/2014		
Ben Weber	Council Member	January 2018
Kevin Stickel	Council Member	January 2018
Renee Cantrell	Council Member	January 2018
Paul Ryan	Council Member	January 2016
Jim Petersen	Council Member	January 2016
Peggy Sherrets (elected mayor 10/7/2014)	Council Member	January 2016
Jamie Letzring	City Administrator/Clerk/	Indefinite
Barb Rigdon	Deputy City Clerk/	Indefinite
Ronald VanVeldhuizen	Attorney	Indefinite
Before January 2014		
Larry Murphy	Mayor	January 2014
Bruce Bearinger Resigned 12/7/12	Council Member	January 2014
Ben Weber Elected 3/11/13	Council Member	January 2014
Kevin Stickel	Council Member	January 2014
Rex Ericson	Council Member	January 2014
Paul Ryan	Council Member	January 2016
Jim Petersen	Council Member	January 2016
Peggy Sherrets	Council Member	January 2016
Steven H. Kendall (Retired 1/6/2013)	City Administrator/Clerk/ Treasurer	Indefinite
Jamie Letzring (Sworn in January 2013)	City Administrator/Clerk/ Treasurer	Indefinite
Barb Rigdon	Deputy City Clerk/	Indefinite
Ronald VanVeldhuizen	Attorney	Indefinite



James R. Ridihalgh, C.P.A.
Gene L. Fuelling, C.P.A.
Donald A. Snitker, C.P.A.
Jeremy P. Lockard, C.P.A.
Brent Waters, C.P.A.

14 East Charles St, PO Box 639
Oelwein, IA 50662
(319)283-1173
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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oelwein, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oelwein as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U. S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oelwein's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the twelve years ended June 30, 2013 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages I through VIII and 25 through 27 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 2, 2014 on our consideration of the City of Oelwein's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Oelwein's internal control over financial reporting and compliance.

Rudolph, Fiedler, Smith, Weber & Co., P.C.

December 2, 2014

CITY OF OELWEIN
20 2nd Ave SW, Oelwein, IA 50662
319-283-5440 Fax 319-283-4032

Peggy Sherrets, Mayor
Ben Weber, Mayor Pro Tem
Ted Malget, 1st Ward Council
Kevin Stickel, 2nd Ward Council
Jim Petersen, 3rd Ward Council
Renee Cantrell, 4th Ward Council
Paul Ryan, Council At-Large

Jamie Letzring, City Administrator
Barbara Rigdon, Deputy City Clerk
Ron Van Veldhuizen, City Attorney
Jeremy Logan, Police Chief
Wally Rundle, Fire Chief
Victor Kane, Utilities Superintendent
Tom Stewart, Street Superintendent
Susan Macken, Librarian
Durango Steggall, Park Superintendent

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Oelwein's financial performance provides an overview of the City's activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the City's financial statements that begin on page 5.

FINANCIAL HIGHLIGHTS

The City's total revenues exceeded total expenses by \$3,201,858 for the year, resulting in an increase in total net assets. That figure includes bond revenues acquired for the construction of the new police facility.

The City continued to administer a Neighborhood Stabilization grant in the amount of \$1,000,000 which was awarded to the city in 2008 for the purchase and redevelopment of foreclosed upon properties, to either be demolished and either be rebuilt upon or vacant lots to be sold to area low-to-moderate income households. During this period two single family homes and a duplex were constructed. During this year several lots were sold to neighboring properties and demolition of properties continues with program income.

Cities are required by statute to contribute to employee retirement plans. The City of Oelwein Police and Fire personnel participate in the Municipal Fire and Police Retirement System of Iowa (MFPRSI). MFPRSI employees contribute 9.40% of earnable compensation. Employer contribution for this audit period was 30.12% of compensation. The employer rate for FY 14-15 will be 30.41% as State mandated enhanced pension benefits are now in effect. By comparison the City's rate was 17% in FY 09-10. In 2000 11.12% would have sufficiently fully funded the MFPRSI.

Other regular City employees are members of Iowa Public Employees Retirement System (IPERS). The City's portion of IPERS was 8.93% for regular employees. IPERS employees contribute 5.95% of earnable compensation. These figures are not expected to increase for FY 14-15.

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The City entered into agreements with Midwest Motorcycles, Inc./Dean's Honda to provide up to \$130,000 in 90% property tax rebate incentives over seven years to locate the Industrial Park Urban Renewal Area and create ten total jobs associated with the project.

The \$500,000 Intermediary Relending Program Grant from USDA, in addition to the \$125,000 City contribution provides low interest funding for local business owners to do property improvements or expansion. The original loan proceeds are loaned out as the grant was continually administered through this period. Revolving loan funds of \$70,000 are in the process of being loaned out during FY13-14. A second application was submitted for approval to the USDA for funding in FY 14-15.

Additionally, Council accepted the application of a Federal Aviation Grant to rehabilitate runway lighting at the Oelwein Municipal Airport or work to begin in the following fiscal year.

The City authorized and approved the execution and entered into the lease purchase agreement for the building of a new police facility, and authorized certificates of participation be sold in the principal amount of \$3,450,000. The project was completed and closed upon during this period.

The City's General Fund ended the year with a fund balance of \$654,401. The recommended General Fund balance should be at least 25% of the General Fund budget. During this past fiscal year 25% of the General Fund budget was \$495,169. Therefore, the General Fund year end balance was adequate.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB Statement 34 was implemented in 2004 as a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report.

Report Components

This annual report consists of the following parts:

Financial Statements

Notes to the Financial Statements

Required Supplementary Information

Other Supplementary Information

Basis of Accounting

The City of Oelwein has elected to present its financial statements on a cash basis of accounting. A cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the City's cash basis, revenues and expenses are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the City's Financial Activities

Government-wide Financial Statement

The Statement of Activities and Net Assets reports information which help express whether the City is better off than one year ago. The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- 1 – Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- 2 – Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliation between the government-wide statement and the fund financial statements follow the fund financial statements.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$3,653,000 to \$7,027,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year End June 30	
	2014	2013
Receipts and transfers		
Program receipts		
Charge for service	61	98
Operating grants and contributions	1,221	1,178
Capital grants and contributions	41	145
General receipts		
Property tax	2,265	2,746
Local option sales tax	106	513
Tax Increment taxes	1,082	34
Investment Earnings	289	500
Other general receipts	546	644
Total Receipts	5,611	5,838
Other Revenue Sources	3,352	(3)
Total receipts and transfers	8,963	5,835
Disbursements:		
Public safety	1,740	1,990
Public works	780	753
Health and social services	40	41
Culture and recreation	818	766
Community and economic development	1,198	869
General government	374	342
Debt service	527	601
Capital projects	124	456
Enterprise	0	3
Total disbursements	5,601	5,821
Increase (decrease) in cash basis net assets	3,362	14
Cash basis net assets beginning of year	3,665	3,629
Cash basis net assets end of year	7,027	3,643

Because the City is at the maximum General Fund rate allowed (8.10) employee benefits are paid from the Trust and Agency levy. The Trust and Agency expenses increased from \$704,747 in fiscal year 2010 to \$781,316 in fiscal year 2011, \$840,320 in fiscal year 2012, and \$922,334 in fiscal year 2013, to \$950,530 in fiscal year 2014.

The cost of all governmental activities this year was \$5,601,823 compared to \$5,821,461 last year. However, as shown in the Statement of Activities and Net Assets on page 7, the amount taxpayers ultimately financed for these activities was approximately \$3,453,783. This was possible because some of the cost was paid by those directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest totaling approximately \$2,157,472.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)			
		<u>2014</u>	<u>2013</u>
Receipts			
	Program receipts		
	Charges for services:		
	Water	975	1,216
	Sewer	1,380	1,701
	Landfill	212	213
	Recycling	80	79
	Williams Center	106	86
	Fuel Fund	150	152
	General receipts:		
	Unrestricted interest on investments	10	12
	Bond proceeds	141	755
	Other general receipts	<u>35</u>	<u>35</u>
	Total receipts	3,089	4,249
Disbursements			
	Water	800	707
	Sewer	726	578
	Landfill	211	211
	Recycling	81	79
	Fuel fund	163	138
	Wellness Center	178	168
	Capital Projects	273	1,100
	Debt Service	807	798
	Transfers	<u>(1)</u>	<u>(2)</u>
	Total disbursements and transfers	3,268	3,777
	Increase (decrease) in cash balance	(179)	472
	Cash basis net assets beginning of year	<u>1,875</u>	<u>1,406</u>
	Cash basis net assets end of year	<u>1,696</u>	<u>1,878</u>

Total business type activities receipts for the fiscal year were \$3,089,000 compared to \$4,249,000 last year. Total disbursements and transfers for the fiscal year decreased by \$1,160,000.

Individual Major Governmental Fund Analysis

- As Oelwein completed the year, its governmental funds reported a combined balance of \$7,026,737, an increase of \$3,383,404 from last year's total of \$3,643,333. The following are the major reasons for the changes in fund balances of the major funds from the prior year.
- The General Fund cash balance increased by \$133,863 from the prior year to \$654,401.
- The Debt Service Fund cash balance increased by \$15,478 to \$223,764 during the fiscal year.

Individual Major Business Type Fund Analysis

- The Water Fund cash balance decreased by \$34,565 to \$635,081.
- The Sewer Fund cash balance decreased by \$29,364 to \$606,962.

Budgetary Highlights

The City amended its budget in May. This was necessary because of additional disbursements and receipts in certain City departments. The City had sufficient cash balances and grant funds to absorb these additional costs.

Debt Administration

At June 30, 2014 the City had approximately \$6,870,000 in general obligation bond debt. \$8,378,000 in other long-term debt, for a total of \$15,248,000.

Outstanding Debt at Year End (Expressed in Thousands)		
	2014	2013
General obligation bonds	\$ 6,870	3,840
Urban renewal tax increment financing revenue bonds	0	0
Total	\$ 6,870	3,840
Sewer Revenue Notes	6,816	7,114
CEBA Loan Agreement	0	0
Economic Development Loan	0	0
Library Pledge Loan	0	0
Intermediary Relending Program	451	467
Water Revenue Notes	1,111	1,199
Total	\$ 15,248	12,620

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$6,870,000 is below its constitutional debt limit of \$10,472,379.

Economic Factors and Next Year's Budget and Rates

The City Council considered many factors when setting the fiscal year 2014 budget, tax rates and fees that will be charged for various City activities.

The City will continue construction on major water and sewer system upgrades during the next fiscal year including consideration of West Water Tower, 1959 Well project and maintenance of 1980 Well. This is the third year of a four year process installing water meters with radio read capabilities.

The city's current utility billing, payroll and accounting software is outdated and no longer being supported. A new software package purchase is inevitable, a server upgrade was completed in the current fiscal year.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jamie Letzring, City Treasurer, 20 Second Avenue SW, Oelwein, Iowa.

Basic Financial Statements

City of Oelwein

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 1,740,554	88,388	208,551	-
Public works	779,827	60,571	653,250	54,874
Health and social services	40,204	-	-	-
Culture and recreation	818,384	223,474	13,959	-
Community and economic development	1,198,140	-	-	112,897
General government	373,809	-	-	-
Debt service	526,908	-	-	-
Capital projects	123,998	-	-	-
Total governmental activities	5,601,824	372,433	875,760	167,771
Business type activities:				
Water	807,446	901,915	-	-
Sewer	725,857	1,367,401	-	-
Sewer Bond Sinking	670,590	-	-	-
Nonmajor business type funds	1,065,450	536,038	-	6,852
Total business type activities	3,269,343	2,805,354	-	6,852
Total	\$ 8,871,167	3,177,787	875,760	174,623

General Receipts:

Property tax levied for:
 General purposes
 Debt service
 Tax increment financing
 Special assessments
 Local option sales tax
 Hotel/Motel Tax
 Gas-Electric Franchise
 Unrestricted interest
 Miscellaneous
 SRF Debt Proceeds
 Bond Proceeds
 Rents
 Sale of Assets
 Transfers

Total general receipts and transfers

Change in cash basis net position
 Cash basis net position beginning of year

Cash basis net assets end of year

Cash Basis Net Position

Restricted:
 Nonexpendable:
 Cemetary Perpetual Care
 Expendable:
 Streets
 Debt Service
 Other Purposes
 Unrestricted
Total cash basis net position

See notes to financial statements

EXHIBIT A

Net (Disbursements) Receipts and
Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
(1,443,615)	-	(1,443,615)
(11,132)	-	(11,132)
(40,204)	-	(40,204)
(580,951)	-	(580,951)
(1,085,243)	-	(1,085,243)
(373,809)	-	(373,809)
(526,908)	-	(526,908)
(123,998)	-	(123,998)
(4,185,860)	-	(4,185,860)
-	94,469	94,469
-	641,544	641,544
-	(670,590)	(670,590)
-	(522,560)	(522,560)
-	(457,137)	(457,137)
(4,185,860)	(457,137)	(4,642,997)
2,192,998	-	2,192,998
273,762	-	273,762
106,380	-	106,380
60,791	-	60,791
351,705	-	351,705
38,117	-	38,117
490,821	-	490,821
18,274	10,196	28,470
321,591	125,866	447,457
-	140,744	140,744
3,353,885	-	3,353,885
268,609	-	268,609
91,115	-	-
(1,530)	1,530	-
7,566,518	278,336	7,753,739
3,380,658	(178,801)	3,201,857
3,646,079	1,875,337	5,521,416
\$ 7,026,737	1,696,536	8,723,273
\$ 274,862	-	274,862
172,464	-	172,464
3,586,769	-	3,586,769
2,315,144	-	2,315,144
677,498	1,696,536	2,374,034
\$ 7,026,737	1,696,536	8,723,273

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2014

	General	Special Revenue #64-Employee Benefits	Capital Projects #43-Bond Sale - Police	#75-Economic Development	Nonmajor Governmental Funds	Total
Receipts:						
Property tax	\$ 1,041,025	950,530	-	-	273,762	2,265,317
Tax increment financing collections	-	-	-	-	106,380	106,380
Other city tax	-	-	-	-	1,082,086	1,082,086
Licenses and permits	98,623	-	-	-	-	98,623
Use of money and property	73,159	1,024	-	202,114	13,019	289,316
Intergovernmental	101,898	-	-	-	1,158,877.00	1,260,775
Charges for service	95,180	-	-	-	-	95,180
Special assessments	-	-	-	-	60,791.00	60,791
Miscellaneous	167,408	14,304	-	131,308	58,638.00	371,658
Total receipts	1,577,293	965,858	-	333,422	2,753,553	5,630,126
Disbursements:						
Operating:						
Public safety	997,285	535,031	-	-	208,237	1,740,553
Public works	63,037	176,848	-	-	539,943	779,828
Health and social services	-	-	-	-	40,204	40,204
Culture and recreation	655,909	111,698	-	-	50,776	818,383
Community and economic development	-	3,556	-	788,849	405,735	1,198,140
General government	212,987	160,822	-	-	-	373,809
Debt service	-	-	-	-	526,908	526,908
Capital projects	15,435	-	-	-	108,563	123,998
Enterprise	-	-	-	-	-	-
Total disbursements	1,944,653	987,955	-	788,849	1,880,366	5,601,823
Excess of receipts over disbursements	(367,360)	(22,097)	-	(455,427)	873,187	28,303
Other financing sources (uses):						
Bond Proceeds	-	-	3,353,885	-	-	3,353,885
Operating transfers in	524,320	838	-	352,311	558,402	1,435,871
Operating transfers out	-	-	(3,885)	(95,455)	(1,338,061)	(1,437,401)
Total other financing sources (uses)	524,320	838	3,350,000	256,856	(779,659)	3,352,355
Net change in cash balances	156,960	(21,259)	3,350,000	(198,571)	93,528	3,380,658
Cash balances beginning of year	520,538	246,493	-	777,979	2,101,069	3,646,079
Cash balances end of year	\$ 677,498	225,234	3,350,000	579,408	2,194,597	7,026,737
Cash Basis Fund Balances						
Nonspendable-Cemetery Perpetual Care	-	-	-	-	274,862	274,862
Restricted For:						
Debt service	-	-	3,350,000	-	236,769	3,586,769
Other Purposes	-	225,234	-	579,408	1,510,502	2,315,144
Streets	-	-	-	-	172,464	172,464
Unassigned	677,498	-	-	-	-	677,498
Total cash basis fund balances	\$ 677,498	225,234	3,350,000	579,408	2,194,597	7,026,737

See notes to financial statements

EXHIBIT C

City of Oelwein

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Governmental Funds

As of and for the year ended June 30, 2014

Total governmental funds cash balances (page 8)	\$ 7,026,737
---	--------------

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Cash basis net position of governmental
activities (page 6)

\$ 7,026,737

Net change in cash balances (page 8)

\$ 3,380,658

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Change in cash basis net position of governmental
activities (page 6)

\$ 3,380,658

See notes to financial statements

City of Oelwein

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2014

	Enterprise Funds				
	#61	#67	#90		
	Water	Sewer	Sewer Bond Sinking	Nonmajor	Total
Operating receipts:					
Intergovernmental	\$ -	-	-	6,852	6,852
Charges for service	901,915	1,367,401	-	536,038	2,805,354
Miscellaneous	59,399	13,098	-	53,370	125,867
Total operating receipts	961,314	1,380,499	-	596,260	2,938,073
Operating disbursements:					
Business type activities	807,446	725,857	670,590	1,065,450	3,269,343
Total operating disbursements	807,446	725,857	670,590	1,065,450	3,269,343
Excess (deficiency) of operating receipts over (under) operating disbursements	153,868	654,642	(670,590)	(469,190)	(331,270)
Non-operating receipts :					
SRF Loan Proceeds	-	-	-	140,744	140,744
Interest on Investments	3,287	2,970	2,550	1,388	10,195
Total non-operating receipts:	3,287	2,970	2,550	142,132	150,939
Excess (deficiency) of receipts over (under)disbursements	157,155	657,612	(668,040)	(327,058)	(180,331)
Operating transfers in	5,000	-	618,000	267,225	890,225
Operating transfers out	(196,720)	(686,975)	-	(5,000)	(888,695)
Net transfers	(191,720)	(686,975)	618,000	262,225	1,530
Net change in cash balances	(34,565)	(29,363)	(50,040)	(64,833)	(178,801)
Cash balances beginning of year	669,646	636,326	358,949	210,416	1,875,337
Cash balances end of year	\$ 635,081	606,963	308,909	145,583	1,696,536
Cash Basis Fund Balances					
Restricted for Debt	\$ -	-	308,909	-	308,909
Assigned for Williams Reserve	-	-	-	12,500	12,500
Unrestricted	635,081	606,963	-	133,083	1,375,127
Total cash basis fund balances	\$ 635,081	606,963	308,909	145,583	1,696,536

See notes to financial statements

SCHEDULE E

City of Oelwein

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Proprietary Funds

As of and for the year ended June 30, 2014

Total enterprise funds cash balances (page 10)	\$ 1,696,536
The city does not have an internal service fund. Therefore there are no reconciling items.	<hr/> -
Cash basis net position of business type activities (page 6)	<hr/> <u>\$ 1,696,536</u>
Net change in cash balances (page 10)	\$ (178,801)
The city does not have an internal service fund. Therefore there are no reconciling items.	<hr/> -
Change in cash basis net position of business type activities (page 6)	<hr/> <u>\$ (178,801)</u>

See notes to financial statements

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2014

1. Summary of Significant Accounting Policies

The City of Oelwein is a political subdivision of the State of Iowa located in Fayette County. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Oelwein has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Fayette County's Assessor's Conference Board; Fayette County Homeland Security/Emergency Management Commission; Fayette County Compensation Board; Fayette County E911; the Fayette County Local Emergency Planning Committee; Fayette County Solid Waste Management Commission, Bremer County/City of Oelwein Law Enforcement Mutual Aid, Fayette County Firemen's Association, Buchanan County Firemen's Association, Iowa Firemen's Association, Iowa Fire Chief's Association, Iowa Arson Investigators Association, International Fire Chief's Association, Oelwein Chamber and Area Development, Northeast Iowa City Managers, Northeast Iowa Regional League, Iowa League of Cities, Iowa City Management Association, Iowa Water Pollution Control Association,

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2014

Northeast Iowa Clerks Association, Iowa Municipal Finance Officers Association, Fayette County Library Association, American Public Works Association, Iowa Police Chiefs Association; Peace Officers Association; International Association of Chiefs of Police (IACP); Iowa Crime Prevention Association; Governors Inoperability Board; Iowa Association of Municipal Utilities (IAMU); Iowa Rural Water Association; Iowa Municipal Workers Compensation Association (IMWCA); Trees Forever; National Arbor Day Foundation; Iowa Concrete Association; Iowa Asphalt Association, National Swimming Pool Association, Law Enforcement Intelligence Network, Upper Explorerland Regional Planning Commission (UERPC), International City Management Association (ICMA), Senior Human Resource Management (SHRM), National City Manager Ass., National Junior City Manager Assn., and Midwest Organized Crime Information Center (MOCIC).

B. Basis of Presentation

Government-wide Financial Statements — The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position result when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2014

B. Basis of Presentation (continued)

identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Employee Benefits Fund is used to account for receipt of property tax allocated for employee benefits.

Capital Projects:

The Economic Development Fund is used to account for Community and Economic Development projects.

The Bond Sale Police is used to account for the Urban Renewal General Obligation Certificates proceeds.

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2014

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sewer Bond Sinking Fund is used to account for payments on the sewer bond debt.

C. Measurement Focus and Basis of Accounting

The City of Oelwein maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2014

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable-Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted-Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state, or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned-Amounts the Council intends to use for specific purposes.

Unassigned-All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014 disbursements exceeded the amounts budgeted in the Debt Service Fund.

2. Cash and Pooled Investments

The City's deposits at June 30, 2014, were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidence of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

Interest rate risk-The City's investment policy limits the investment of operating funds (funds expected to be expended in the current year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

The City had no investments at June 30, 2014.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2014

3. Bonded Indebtedness

Annual debt service requirements to maturity for general obligation and urban renewal tax increment financing revenue bonded indebtedness are as follows:

Year Ending June 30,	General Obligation Notes & Bonds		Revenue Bond		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	570,000	210,298	559,000	236,798	1,129,000	447,096
2016	590,000	188,858	576,000	220,503	1,166,000	409,361
2017	610,000	175,658	593,000	203,710	1,203,000	379,368
2018	620,000	161,718	611,000	186,420	1,231,000	348,138
2019	640,000	147,058	629,000	168,603	1,269,000	315,661
2020-2024	1,945,000	492,051	3,404,262	556,433	5,349,262	1,048,484
2025-2029	980,000	295,888	1,396,000	79,000	2,376,000	374,888
2030-2033	915,000	93,200	159,000	5,601	1,074,000	98,801
Tot.	<u>\$6,870,000</u>	<u>1,764,729</u>	<u>7,927,262</u>	<u>1,657,066</u>	<u>14,797,262</u>	<u>3,421,795</u>

In May, 2009, the City issued \$1,190,000 in General Obligation corporate Purpose bonds, Series 2009 for the purpose of "...constructing street, streetscape, sanitary sewer, airport and park improvements, acquiring equipment for the police, parks and general municipal departments..." and for "...paying the cost, to the extent, of constructing an addition to the police department building and improvements at the municipal swimming pool...". The loan matures on June 1 of each year, starting June 1, 2010. Interest is payable December 1, 2009 and semiannually thereafter on the first day of June and December of each year. Principal is payable June 1, 2010 and annually thereafter on the first day of June each year; except for June 1, 2012, which Resolution No. 4562 states "Principal of the Bond maturing on June 1, 2013, is subject to mandatory redemption (by lot, as selected by Registrar) on June 1 in each of the years 2012 and 2013..." and June 1, 2014, which Resolution No. 4562 states "Principal of the Bond maturing on June 1, 2015, is subject to mandatory redemption (by lot, as selected by the Registrar) on June 1 in each of the years 2014 and 2015...". Interest rates are from 1.25% to 4.0%. City has reserved the right to prepay part or all of the Bonds maturing in each of the years 2016 to 2021. The balance at June 30, 2014 was \$975,000.

In April 15, 2010 the City issued \$620,000 in General Obligation corporate purpose and refunding bonds, Series 2010A for the purpose of "...paying the costs, to that extent, of acquiring equipment for the police department and cemetery and refunding the outstanding balance of the City's General Obligation Corporate Purpose and Refunding Notes, dated June 1, 2003." The loan matures on June 1 in each of the years commencing December 1, 2010.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2014

Interest is payable December 1, 2010 and semiannually thereafter on the first day of June and December of each year. Principal is payable annually each June 1 beginning June 1, 2013. Last payment to be June 1, 2015. Bonds are not subject to redemption prior to maturity. The balance at June 30, 2014 was \$45,000.

On September 1, 2011, the City issued \$2,885,000 in General Obligation Corporate Purpose and Refunding Bond, Series 2011A, for the purpose of paying the cost, to that extent, of acquiring equipment for the police, street, public works and municipal water works departments and advance refunding the City's General Obligation Corporate Purpose and Refunding Bonds, Series 2005A. The loan matures June 1 of each year starting June 1, 2013. Interest is payable June 1, 2013, and every June 1, and December 1, of each year thereafter. Principal is payable June 1, 2013 and annually on June 1, thereafter. The City has the right to prepay part or all of the Bonds maturing in each of the years 2019 to 2022, inclusive, prior to and in any order of maturity, on June 1, 2018, or on any date thereafter upon terms of par and accrued interest. Balance at June 30, 2014 was \$2,395,000.

On May 1, 2014, the City issued \$3,455,000 in Urban Renewal General Obligation Certificates, Series 2014, for the purpose of planning, undertaking, and carrying out an urban renewal project, consisting of acquisition, construction, furnishing and equipping of a police station and related facilities and improvements. The debt matures June 1 of each year starting June 1, 2015. Interest is payable December 1, 2014 and every June 1, and December 1, of each year thereafter. Principal is payable June 1, 2015 and annually on each June 1, thereafter. The City has a sinking fund to which it accumulates funds to make the payments on this debt. At June 30, 2014 the funds were being held by Bankers Trust. Balance at June 30, 2014 was \$3,455,000.

Revenue Note:

In order to establish a Municipal Sanitary Sewer System, the City has entered into a Loan and disbursement Agreement with Iowa Finance Authority not to exceed \$8,954,000. The city has established a Sewer Revenue Bond Sinking Fund, from which is paid the principal and interest on this debt. The Bonds are not general obligations of the City, and thus not payable in any manner by taxation. The Bonds are subject to optional redemption by the City at a price of par plus accrued interest on any interest payment date after the ten year anniversary of the Agreement. Any optional redemption may be made from any funds regardless of source. The balance on this debt at June 30, 2014 was \$5,991,000.

In order to make improvements to the water distribution system in order to comply with IDRN recommendations has entered into a Loan and disbursement Agreement with Iowa Finance Authority not to exceed \$1,700,000 at a rate of 3%. Sewer Revenue Bonds will be issued. The Bonds are not general

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2014

obligations of the City, and thus not payable in any manner by taxation. The Bonds are payable solely and only out of the future Net Revenues of the Utility of the City. The Bonds are subject to optional redemption by the City at a price of par plus accrued interest on any date with the prior written consent of the Iowa Finance Authority. Any optional redemption may be made from any funds regardless of source. Interest is due December 1 and June 1 of each year commencing December 1, 2010. Principal is to be paid annually and is scheduled to commence June 1, 2013. The balance on this debt at June 30, 2014 was \$1,111,262.

In order to make improvements to the water distribution system to comply with IDRN recommendations has entered into a Loan and disbursement Agreement with Iowa Finance Authority not to exceed \$900,000 at a rate of 2%. Sewer Revenue Bonds will be issued. The Bonds are not general obligations of the City, and thus not payable in any manner by taxation. The Bonds are payable solely and only out of the future Net Revenues of the Utility of the City. The Bonds are subject to optional redemption by the City at a price of par plus accrued interest on any date with the prior written consent of the Iowa Finance Authority. Any optional redemption may be made from any funds regardless of source. Interest is due December 1 and June 1 of each year commencing December 1, 2012. Principal is to be paid annually and is scheduled to commence June 1, 2013. The balance on this debt at June 30, 2014 was \$825,000

4. U.S.D.A Promissory Note

There is a promissory note with the USDA for \$500,000. Interest rate is 1%. The City is to pay interest only on this note April 25th of the years 2009, 2010 and 2013. Commencing April 25, 2013 and thereafter on each April 25th the City is to pay principal and interest in an amount to fully amortize the loan in 30 years from the date of the note. Prepayments on the promissory note may be made. During the year ended the City paid \$4,674 in interest on the note to USDA. Balance of note on June 30, 2014 was \$450,837.

5. Pension and Retirement Benefits

Municipal Fire and Police Retirement System of Iowa - The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits, which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th St., Urbandale, Iowa 50322.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2014

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, 30.12%, of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2014, 2013 and 2012 were \$180,503, \$151,744, and \$152,225, respectively, which met the required minimum contribution for each year.

Iowa Public Employees Retirement System - The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual salary and the City is required to contribute 8.93% of covered salary certain employees in special risk occupations contribute an actuarially determined contribution rate. Contributions requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$125,439, \$114,087, and \$99,359, respectively, equal to the required contributions for each year.

6. Other Postemployment Benefits (OPEB)

The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 38 active members in the plan. There were no retired members in the plan at June 30, 2014. Participants must be 55 or older at retirement. The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under the age of 65 may stay on plan and must compensate the City at the same premium for the medical/prescription drug benefits as active employees. The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$566 for single coverage and \$1,416 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed \$537,309 and plan members eligible for benefits contributed \$42,797 to the plan.

Beginning January 1, 2014 the City began paying a monthly Affordable Care Act fees to Wellmark. Total paid for the six months ended June 30, 2014 was \$10,759

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2014

7. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for employee vacation hours is \$107,348. This liability has been computed based on rates of pay in effect at June 30, 2014.

Employees can accrue 12 hours sick leave per month. The police department can accumulate up to 1,040 hours of sick leave, the fire department can accumulate up to 990 hours and all other city employees can accumulate up to 1,008 hours of sick leave for subsequent use (known as the initial bank of sick leave). This initial bank of sick leave can only be used in the event of illness or injury and is not payable upon termination, retirement or death.

The City has agreed to contracts with three employees that if they reach their maximum for the initial bank of sick leave that employee earns sick leave hours known as the "Secondary Bank" of sick leave. This "Secondary Bank" of sick leave shall be paid only upon retirement from the City in the form of health insurance. Forty banked days would buy eight weeks of health insurance, sixty banked days would buy twelve weeks of health insurance, one hundred banked days would buy twenty weeks of health insurance and one hundred thirty banked days would buy twenty-six weeks of health insurance. These accumulations are not recognized as expenditures by the City, until used or paid.

8. Related Party Transactions

No business between the City and City officials was noted for the year ended June 30, 2014

9. Landfill Contract

The City has contracted with Fayette County Solid Waste Management Commission for solid waste disposal for all household residences within the City. For the year ended June 30, 2014, \$286,109 was paid pursuant to the agreement.

10. Deficit Fund Balances

Capital Project Funds - 2014 Bond Sales and Library Bond, Proprietary Fund- Water Improvement, Fuel, and Well/Water Tower and Special Revenue - Sidewalk Repair had deficit balances at June 30, 2014, which the City considers temporary in nature.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2014

11. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfers to General	Transfers from Business Type:	Amount
	Water	\$20,000
	Sewer	20,000
	Special Revenue:	
	Local Option Tax	150,990
	Emergency	34,653
	Economic Development	10,000
	Road Use Tax	20,000
	Hotel/Motel Tax	18,678
	Gas/Electric Franchise	<u>250,000</u>
		<u>524,321</u>
Special Revenue:	Special Revenue:	
1 st Time Home Buyer	Gas/Electric Franchise	15,000
Trust & Agency	Flex Spending	838
Gas Franchise	Capital Projects:	
	Bond Sale 2014	<u>3,884</u>
		<u>19,722</u>
Capital Projects:	Special Revenue:	
Economic Development	Sales Tax	352,311
Airport Grant	Economic Development	13,500
	Capital Projects:	
Pave 87 th Street	Pave 93 rd Street	12,855
Iowa Brownsfield	Economic Development	105
2014 GO Bond Sinking	Gas/Electric Franchise	<u>255,765</u>
		<u>634,536</u>
Debt Service:	Debt Service:	
Debt Service	Special Assessments	60,791
	Special Revenue:	
	Road Use Tax	47,740
	Downtown TIF	20,278
	Gas/Elec Franchise	98,164
	Business Type:	
	Water	<u>30,320</u>
		<u>257,293</u>

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2014

Business Type:

Sewer Bond Sinking

Water Bonds Sinking

Water

1st Ave Lift Station

Williams

Williams Ctr Reserve

Enterprise:

Sewer

Water

Water Bonds Sinking

Sewer

Economic Development

Economic Development

618,000

146,400

5,000

48,975

70,206

1,644

890,225

Total Interfund Transfers

\$2,326,097

12. Risk Management

The City of Oelwein is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

13. Intermediary Relending Program Loan Agreement (IRP)

In April 2008, the City entered into a loan agreement with the United States Department of Agriculture (U.S.D.A.) for \$500,000 at 1% on the funds as they are dispersed. The loan is a thirty year loan starting April 25, 2008. In order to receive this loan the City had to commit 25% of the loan (\$125,000) to the I.R.P. The I.R.P. is to be used for any project which will create permanent employment diversification of the local economy or increase to the local tax base of the City of Oelwein. The City had twelve loans totaling \$457,180 under this program as of June 30, 2014.

14. Litigation

The City has been notified of a pending lawsuit by a sub-contractor, but liability is limited to term of the contract. To date no lawsuit has been filed.

The City has been notified of a claim for reimbursement for out-of-pocket expenses for repairs to the water service. Damages asserted are less than \$5,000.

The City has also been notified of an additional claim which the city has challenged timeliness and has asserted governmental immunity and lack of any actionable duty owed.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2014

15. Subsequent Events

No subsequent events were noted that we believe needed to be noted. Subsequent events were considered by the City through December 2, 2014.

OTHER INFORMATION

City of Oelwein
 Budgetary Comparison Schedule
 of Receipts, Disbursements and Changes in Balances-
 Budget and Actual (Cash Basis) -
 All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 2,265,317	-
Tax increment financing collections	106,380	-
Other city tax	1,082,086	-
Licenses and permits	98,623	-
Use of money and property	289,316	10,195
Intergovernmental	1,260,775	6,852
Charges for services	95,180	2,805,354
Special assessments	60,791	-
Miscellaneous	371,658	266,611
Total Receipts	<u>5,630,126</u>	<u>3,089,012</u>
Disbursements:		
Public Safety	1,740,554	-
Public Works	779,827	-
Health and Social Services	40,204	-
Culture and Recreation	818,383	-
Community and Economic Development	1,198,140	-
General Government	373,809	-
Debt Service	526,908	-
Capital Projects	123,998	-
Business type activities	-	3,269,343
Total Disbursements	<u>5,601,823</u>	<u>3,269,343</u>
Excess (deficiency) of receipts over (under) disbursements	28,303	(180,331)
Other financing sources (uses):	<u>3,352,355</u>	<u>1,530</u>
Net	3,380,658	(178,801)
Balance, beginning of year	<u>3,646,079</u>	<u>1,875,337</u>
Balance, end of year	<u><u>\$ 7,026,737</u></u>	<u><u>1,696,536</u></u>

See accompanying independent auditor's report

Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
		Original	Final	
-	2,265,317	2,244,921	2,304,921	(39,604)
-	106,380	114,879	114,879	(8,499)
-	1,082,086	1,003,934	1,003,934	78,152
-	98,623	108,370	108,370	(9,747)
-	299,511	284,200	284,200	15,311
-	1,267,627	1,497,773	1,701,264	(433,637)
-	2,900,534	3,328,900	3,329,170	(428,636)
-	60,791	63,497	63,497	(2,706)
-	638,269	224,130	247,361	390,908
-	8,719,138	8,870,604	9,157,596	(438,458)
-	1,740,554	1,774,759	1,844,746	104,192
-	779,827	803,190	813,190	33,363
-	40,204	48,000	48,000	7,796
-	818,383	875,602	908,156	89,773
-	1,198,140	1,438,188	1,758,688	560,548
-	373,809	422,620	422,620	48,811
-	526,908	526,808	526,808	(100)
-	123,998	489,958	4,071,958	3,947,960
-	3,269,343	2,948,572	3,377,572	108,229
-	8,871,166	9,327,697	13,771,738	4,900,572
-	(152,028)	(457,093)	(4,614,142)	4,462,114
-	3,353,885	225,000	3,725,000	(371,115)
-	3,201,857	(232,093)	(889,142)	4,090,999
-	5,521,416	4,705,625	4,705,625	815,791
-	8,723,273	4,473,532	3,816,483	4,906,790

City of Oelwein

Notes to Other Information-Budgetary Reporting

June 30, 2014

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year the budget amendment increased budgeted revenues by \$4,190,172 and budgeted disbursements by \$4,444,041. The amended budget amounts are reflected in the final budgeted numbers.

SUPPLEMENTARY INFORMATION

City of Oelwein

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2014

	Special Revenue	Capital Projects	Debt Service	Permanant Cemetary Perpetual Care	Total
Receipts:					
Property tax	\$ -	-	273,762	-	273,762
TIF Collections	106,380	-	-	-	106,380
Other city tax	1,082,086	-	-	-	1,082,086
Use of money and property	10,706	787	1,525	-	13,018
Intergovernmental	899,715	259,162	-	-	1,158,877
Special assessments	-	-	60,791	-	60,791
Charges for services	-	-	-	-	-
Miscellaneous	54,795	-	-	3,844	58,639
Total receipts	2,153,682	259,949	336,078	3,844	2,753,553
Disbursements:					
Operating:					
Public safety	208,237	-	-	-	208,237
Public works	539,943	-	-	-	539,943
Health & Social Services	40,204	-	-	-	40,204
Culture and recreation	50,776	-	-	-	50,776
Community and economic devel.	349,972	55,763	-	-	405,735
General government	-	-	-	-	-
Debt service	-	-	526,908	-	526,908
Capital projects	9,018	99,545	-	-	108,563
Enterprise	-	-	-	-	-
Total disbursements	1,198,150	155,308	526,908	-	1,880,366
Excess (deficiency) of receipts over (under) disbursements	955,532	104,641	(190,830)	3,844	873,187
Other financing sources (uses):					
Operating transfers in	18,884	282,225	257,293	-	558,402
Operating transfers out	(1,264,415)	(12,855)	(60,791)	-	(1,338,061)
Net change in cash balances	(289,999)	374,011	5,672	3,844	93,528
Cash balances beginning of year	1,552,848	46,106	231,097	271,018	2,101,069
Cash balances end of year	\$ 1,262,849	420,117	236,769	274,862	2,194,597
Cash Basis Fund Balances					
Nonspendable-Cemetary Perpetual Care	\$ -	-	-	274,862	274,862
Restricted for Debt Service	-	-	236,769	-	236,769
Restricted for Other Purposes	1,262,849	420,117	-	-	1,682,966
Total cash basis fund balances	\$ 1,262,849	420,117	236,769	274,862	2,194,597

See accompanying independent auditor's report

City of Oelwein

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds-Special Revenue

As of and for the year ended June 30, 2014

	#40 Lib Bldg Repairs	#42 Sidewalk Repair	#47 Property Tax Relief	#48 Gas-Electric Franchise	#50 Flex Spending	#51 Co Emer Mgmt	#52 1st Time Home Buyer	#53 Lein3-03	#54 Police Remodel
Receipts:									
Property tax	\$ -	-	-	-	-	-	-	-	-
Tax increemnt financing	-	-	-	-	-	-	-	-	-
Other city tax	-	-	-	490,821	-	16,059	-	-	-
Use of money and property	-	-	-	2,286	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	181,487	-
Charges for Services	-	-	-	-	-	-	-	-	-
Miscellaneous	-	1,562	-	-	40,205	-	-	-	-
Total receipts	-	1,562	-	493,107	40,205	16,059	-	181,487	-
Disbursements:									
Operating:									
Public safety	-	-	-	-	-	16,059	-	180,183	-
Public works	-	-	-	-	-	-	-	-	-
Health & Social Service	-	-	-	-	40,204	-	-	-	-
Culture and recreation	8,106	-	-	-	-	-	-	-	-
Community and economic development	-	1,035	-	112,758	-	-	-	-	-
General government	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	9,018	-	-
Enterprise	-	-	-	-	-	-	-	-	-
Total disbursements	8,106	1,035	-	112,758	40,204	16,059	9,018	180,183	-
Excess (deficiency) of receipts over (under) disbursements	(8,106)	527	-	380,349	1	-	(9,018)	1,304	-
Other financing sources:									
Operating transfers in	-	-	-	3,884	-	-	15,000	-	-
Operating transfers out	-	-	-	(618,929)	(838)	-	-	-	-
Net change in cash balances	(8,106)	527	-	(234,696)	(837)	-	5,982	1,304	-
Cash balances beginning of year	8,106	(5,622)	-	455,666	3,088	2,250	9,867	925	-
Cash balances end of year	\$ -	(5,095)	-	220,970	2,251	2,250	15,849	2,229	-
Cash Basis Fund Balances									
Restricted for IRP	\$ -	-	-	-	-	-	-	-	-
Restricted for Other Purposes	-	(5,095)	-	220,970	2,251	2,250	15,849	2,229	-
Total cash basis fund balances	\$ -	(5,095)	-	220,970	2,251	2,250	15,849	2,229	-

See accompanying independent auditor's report

#55 IRP Revolving	#56 Downtown TIF	#57 Hotel/ Hotel Tax	#58 DARE	#59 Sales Tax	#66 Road Use Tax	#68 Municipal Trust	#74 Library Bequest	#92 Industrial Park TIF	#94 Emergency	#96 James Dev TIF	#99 Forfitted Assets	Total
-	-	-	-	-	-	-	-	-	-	-	-	-
-	20,278	-	-	-	-	-	-	37,824	-	48,278	-	106,380
-	-	38,117	-	502,436	-	-	-	-	34,653	-	-	1,082,086
584	-	57	-	865	-	1,339	5,561	-	-	-	14	10,706
77,431	-	-	-	-	640,797	-	-	-	-	-	-	899,715
-	-	-	-	-	-	-	-	-	-	-	-	-
1	-	-	4,458	-	-	-	1,633	-	-	-	6,936	54,795
78,016	20,278	38,174	4,458	503,301	640,797	1,339	7,194	37,824	34,653	48,278	6,950	2,153,682
-	-	-	3,111	-	-	-	-	-	-	-	8,884	208,237
-	-	-	-	-	539,943	-	-	-	-	-	-	539,943
-	-	-	-	-	-	-	-	-	-	-	-	40,204
-	-	18,424	-	-	-	-	24,246	-	-	-	-	50,776
150,077	-	-	-	-	-	-	-	37,824	-	48,278	-	349,972
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	9,018
-	-	-	-	-	-	-	-	-	-	-	-	-
150,077	-	18,424	3,111	-	539,943	-	24,246	37,824	-	48,278	8,884	1,198,150
(72,061)	20,278	19,750	1,347	503,301	100,854	1,339	(17,052)	-	34,653	-	(1,934)	955,532
-	-	-	-	-	-	-	-	-	-	-	-	18,884
-	(20,278)	(18,676)	-	(503,301)	(67,740)	-	-	-	(34,653)	-	-	(1,264,415)
(72,061)	-	1,074	1,347	-	33,114	1,339	(17,052)	-	-	-	(1,934)	(289,999)
201,724	-	9,883	7,565	-	139,350	298,954	413,559	-	-	-	7,533	1,552,848
129,663	-	10,957	8,912	-	172,464	300,293	396,507	-	-	-	5,599	1,262,849
129,663	-	-	-	-	-	-	-	-	-	-	-	129,663
-	-	10,957	8,912	-	172,464	300,293	396,507	-	-	-	5,599	1,133,186
129,663	-	10,957	8,912	-	172,464	300,293	396,507	-	-	-	5,599	1,262,849

City of Oelwein

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds-Capital Projects

As of and for the year ended June 30, 2014

	#44 2014 GO Bond Sinking	#69 2014 Bond Sales	#73 Capital Equipment	#77 2011 Bond Sale	#78 W Charles Mall	#79 Airport Grants
Receipts:						
Tax increment financing	\$ -	-	-	-	-	-
Other city tax	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-
Intergovernmental	-	7,000	-	-	-	40,749
Charges for Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total receipts	-	7,000	-	-	-	40,749
Disbursements:						
Operating:						
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
General government	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital projects	-	74,729	7,753	7,690	-	-
Enterprise	-	-	-	-	-	-
Total disbursements	-	74,729	7,753	7,690	-	-
Excess (deficiency) of receipts over (under) disbursements	-	(67,729)	(7,753)	(7,690)	-	40,749
Other financing sources (uses):						
Operating transfers in	255,765	-	-	-	-	13,500
Operating transfers out	-	-	-	-	-	-
Net change in cash balances	255,765	(67,729)	(7,753)	(7,690)	-	54,249
Cash balances beginning of year	-	-	8,202	7,690	2,475	(54,192)
Cash balances end of year	\$ 255,765	\$ (67,729)	\$ 449	-	2,475	57
Cash Basis Fund Balances						
Restricted for:						
Capital projects	\$ 255,765	(67,729)	449	-	2,475	57

See accompanying independent auditor's report

SCHEDULE 3

#82 Downtown Betterment	#83 Tri-Park Trail Ext	#85 2009 Bond Sale	#87 Pave 10th St SE	#88 Neighborhood Stabilization	#89 Library Bond	#91 Iowa Brownsfield	#93 Pave 7th St	Total
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	113	86	539	-	-	-	49	787
-	-	-	4,874	156,539	-	50,000	-	259,162
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	113	86	5,413	156,539	-	50,000	49	259,949
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	55,763	-	-	-	55,763
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	3,480	5,893	-	-	-	-	99,545
-	-	-	-	-	-	-	-	-
-	-	3,480	5,893	55,763	-	-	-	155,308
-	113	(3,394)	(480)	100,776	-	50,000	49	104,641
-	-	-	12,855	-	-	105	-	282,225
-	-	-	-	-	-	-	(12,855)	(12,855)
-	113	(3,394)	12,375	100,776	-	50,105	(12,806)	374,011
-	25,392	20,165	120,241	(31,640)	(14,928)	(50,105)	12,806	46,106
-	25,505	16,771	132,616	69,136	(14,928)	-	-	420,117
-	25,505	16,771	132,616	69,136	(14,928)	-	-	420,117

City of Oelwein

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2014

	#41 Water Bond Sinking	#62 Water Improvement	#70 Landfill	#71 Recycling
Receipts:				
Intergovernmental	\$ -	6,852	-	-
Charges for services	-	-	212,127	79,906
Miscellaneous	-	6,805	-	-
Total receipts	-	13,657	212,127	79,906
Disbursements:				
Operating:				
Enterprise	136,415	27,543	210,957	80,622
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total disbursements	136,415	27,543	210,957	80,622
Excess (deficiency) of receipts over (under) disbursements	(136,415)	(13,886)	1,170	(716)
Other financing sources:				
SRF Loan Proceeds	-	-	-	-
Use of money and property	358	-	9	-
Operating transfers in	146,400	-	-	-
Operating transfers out	(5,000)	-	-	-
Net change in cash balances	5,343	(13,886)	1,179	(716)
Cash balances beginning of year	31,731	(140,657)	4,710	5,177
Cash balances end of year	\$ 37,074	(154,543)	5,889	4,461
Cash Basis Fund Balances				
Reserved	\$ -	-	-	-
Unreserved	37,074	(154,543)	5,889	4,461
Total cash basis fund bal.	\$ 37,074	(154,543)	5,889	4,461

See accompanying independent auditor's report

#72 Williams Center	#76 Customer Dep. Water	#81 Sewer Main Const	#84 Fuel	#86 Well/Water Tower	#95 1st Ave Lift Station	#98 Williams Ctr Reserve	Total
-	-	-	-	-	-	-	6,852
98,264	-	-	145,741	-	-	-	536,038
7,284	35,424	-	3,830	-	-	27	53,370
105,548	35,424	-	149,571	-	-	27	596,260
175,912	23,985	-	163,046	18,346	226,953	1,671	1,065,450
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
175,912	23,985	-	163,046	18,346	226,953	1,671	1,065,450
(70,364)	11,439	-	(13,475)	(18,346)	(226,953)	(1,644)	(469,190)
-	-	-	-	-	140,744	-	140,744
158	-	773	-	-	90	-	1,388
70,206	-	-	-	-	48,975	1,644	267,225
-	-	-	-	-	-	-	(5,000)
-	11,439	773	(13,475)	(18,346)	(37,144)	-	(64,833)
-	83,576	172,685	6,298	(2,748)	37,144	12,500	210,416
-	95,015	173,458	(7,177)	(21,094)	-	12,500	145,583
-	-	-	-	(21,094)	-	12,500	(8,594)
-	95,015	173,458	(7,177)	-	-	-	154,177
-	95,015	173,458	(7,177)	(21,094)	-	12,500	145,583

CITY OF OELWEIN

STATEMENT OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2014

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation corporate purpose bonds, Series 2009	5-1-09	1.25-4.0%	\$ 1,190,000
General Obligation corporate purpose and refunding bonds, Series 2011A	9-1-2011	2.0-3.0%	2,885,000
General Obligation corporate purpose and refunding bonds, Series 2010A	4-15-2010	2.0-3.0%	620,000
Urban Renewal General Obligation Certificate Series 2014	5-1-2014	2.0%-4.0%	3,455,000
General Obligation Debt			
Revenue notes:			
Sewer Revenue bonds, series 2012			
State Revolving Funds (Fd # 90)	10-5-12	2.00%	900,000
Water revenue bonds, series 2010			
State Revolving Funds (Fd # 41)	9-15-10	3.00%	1,700,000
Sewer revenue bonds, series 2005			
State Revolving Funds (Fd # 90)	5-23-05	3.00%	8,954,000
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U.S. Department of Agriculture Intermediary Relending Program (Fd # 55)	4-25-08	1.00%	500,000

see accompanying independent auditor's report

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
1,030,000	-	55,000	975,000	35,075	-
2,565,000	-	170,000	2,395,000	57,883	-
245,000	-	200,000	45,000	7,350	-
-	3,455,000	-	3,455,000	-	-
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\$ 3,840,000	3,455,000	425,000	6,870,000	100,308	-
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\$ 722,256	140,744	38,000	825,000	13,889	-
1,198,913	8,349	96,000	1,111,262	36,166	-
6,401,000	-	410,000	5,991,000	192,030	-
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\$ 8,322,169	149,093	544,000	7,927,262	242,085	-
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\$ 467,350	-	16,551	450,799	4,674	-
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CITY OF OELWEIN

BOND MATURITIES AND NOTES
June 30, 2014

General Obligation Corporate Purpose and Refunding Note			General Obligation Corporate Purpose Series 2009		General Obligation Corporate Purpose and Refunding		Urban Renewal General Obligation Certificates Series 2014	
Issued September 1, 2011			Issued May 1, 2009		Issued April 15, 2010		Issued May 1, 2014	
Year Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2015	2.00%	\$ 330,000	2.50%	60,000	3.00%	45,000	2.00%	135,000
2016	2.00%	305,000	3.00%	140,000			2.00%	145,000
2017	2.00%	315,000	3.20%	145,000			2.00%	150,000
2018	2.05%	320,000	3.40%	150,000			2.00%	150,000
2019	2.30%	330,000	3.60%	155,000			2.00%	155,000
2020	2.55%	340,000	3.80%	160,000			3.00%	155,000
2021	2.75%	355,000	4.00%	165,000			3.00%	160,000
2022	2.90%	100,000					3.00%	165,000
2023							3.00%	170,000
2024							3.00%	175,000
2025							3.25%	180,000
2026							3.25%	190,000
2027							3.75%	195,000
2028							3.75%	205,000
2029							4.00%	210,000
2030							4.00%	215,000
2031							4.00%	225,000
2032							4.00%	235,000
2033							4.00%	240,000
		<u>\$ 2,395,000</u>			<u>975,000</u>	<u>45,000</u>		
Revenue Note Sewer Revenue Bond			Revenue Note Water Revenue Bond		Revenue Note Sewer Revenue Bond			
Issued May 23, 2005			Issued September 15, 2010		Issued October 26, 2012			
Year Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2015	3.00%	422,000	3.00%	99,000	1.75%	38,000		
2016	3.00%	435,000	3.00%	102,000	1.75%	39,000		
2017	3.00%	448,000	3.00%	105,000	1.75%	40,000		
2018	3.00%	461,000	3.00%	109,000	1.75%	41,000		
2019	3.00%	475,000	3.00%	112,000	1.75%	42,000		
2020	3.00%	490,000	3.00%	116,000	1.75%	43,000		
2021	3.00%	504,000	3.00%	120,000	1.75%	43,000		
2022	3.00%	519,000	3.00%	123,000	1.75%	44,000		
2023	3.00%	535,000	3.00%	127,000	1.75%	45,000		
2024	3.00%	551,000	3.00%	98,262	1.75%	46,000		
2025	3.00%	567,000			1.75%	47,000		
2026	3.00%	584,000			1.75%	48,000		
2027					1.75%	49,000		
2028					1.75%	50,000		
2029					1.75%	51,000		
2030					1.75%	52,000		
2031					1.75%	53,000		
2032					1.75%	54,000		
		<u>5,991,000</u>			<u>1,111,262</u>	<u>825,000</u>		

See accompanying independent auditor's report

City of Oelwein

Schedule of Receipts by Source and Disbursements by Function
All Governmental Funds
For the Last Ten Years—Years Ended June 30

	2014	2013	2012	2011
Receipts:				
Property tax	\$ 2,265,317	2,225,651	2,088,591	2,193,856
Tax increment financing	106,380	92,163	100,755	77,819
Other city tax	1,082,086	975,105	980,861	796,829
Licenses and permits	98,623	86,826	80,746	90,508
Use of money and property	289,316	283,043	237,050	211,957
Intergovernmental	1,260,775	1,542,206	2,064,616	1,655,035
Charges for service	95,180	147,190	169,503	178,473
Special assessments	60,791	78,338	121,720	140,773
Miscellaneous	352,787	407,739	332,566	255,986
Total	\$ 5,611,255	5,838,261	6,176,408	5,601,236
Disbursements:				
Operating:				
Public safety	\$ 1,740,553	1,990,153	1,736,134	1,657,381
Public works	779,828	753,365	845,566	721,848
Health and social services	40,204	41,012	40,195	36,096
Culture and recreation	818,383	765,827	832,448	734,580
Community and economic development	1,198,140	868,849	1,044,115	1,113,995
General government	373,809	342,228	363,154	348,957
Debt service	526,908	601,358	3,162,885	526,090
Capital projects	123,998	455,840	860,504	254,967
Enterprise	-	2,829	21	134,643
Total	\$ 5,601,823	5,821,461	8,885,022	5,528,557

See accompanying independent auditor's report

Schedule 7

2010	2009	2008	2007	2006	2005
1,924,356	1,848,092	1,812,366	1,828,186	1,746,846	1,653,158
152,164	150,020	136,547	138,099	161,607	155,521
504,753	531,325	474,004	508,516	399,905	394,643
82,745	77,139	72,053	73,689	67,977	61,375
182,723	137,646	271,087	199,268	184,814	104,457
1,451,034	1,438,224	1,191,561	1,698,867	1,743,440	1,375,291
157,251	132,138	145,868	157,803	144,706	407,599
125,985	186,564	131,537	37,166	41,252	45,058
416,260	508,329	395,268	576,110	397,606	341,271
<u>4,997,271</u>	<u>5,009,477</u>	<u>4,630,291</u>	<u>5,217,704</u>	<u>4,888,153</u>	<u>4,538,373</u>
1,612,823	1,470,636	1,506,802	1,508,523	1,649,099	1,952,294
699,846	654,838	641,866	545,938	525,040	531,129
26,342	22,210	19,092	14,927	10,929	-
709,608	664,204	673,792	595,684	536,794	495,819
537,523	743,863	673,493	387,696	207,295	155,908
327,414	346,965	250,274	248,696	283,983	224,816
1,415,055	741,453	754,716	1,637,853	375,937	261,230
807,293	762,187	1,001,904	3,334,784	4,373,910	2,056,814
536,959	15,941	53	-	-	-
<u>6,672,863</u>	<u>5,422,297</u>	<u>5,521,992</u>	<u>8,274,101</u>	<u>7,962,987</u>	<u>5,678,010</u>

RFSW Ridihalgh Fuelling
Snitker Weber & Co.
C E R T I F I E D P U B L I C A C C O U N T A N T S

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Gene L. Fuelling, C.P.A.
Donald A. Snitker, C.P.A.
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDIT STANDARDS

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Oelwein, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 2, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Oelwein's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Oelwein's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Oelwein's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Oelwein's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the

accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-14 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Oelwein's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

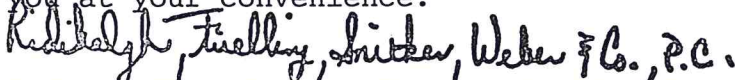
City of Oelwein's Responses to Findings

City of Oelwein responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. City of Oelwein's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sample Cash City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


RIDIHALGH, FUELLING, SNITKER, WEBER AND COMPANY, P.C.

December 2, 2014

CITY OF OELWEIN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2014

Part I: Summary of the Independent Auditor's Results:

- a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b) A significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-14 Segregation of Duties — One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the following functions are not entirely segregated: general ledger posting, coding of postings, reconciliations and the custody, distribution and writing of checks.

Recommendation — We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response — We will consider this.

Conclusion — Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

CITY OF OELWEIN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2014

II-B-14 Accounting Staff Technical Expertise- We noted that while management is capable of preparing accurate financial statements that provide information sufficient for City Council members to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Due to the technical nature of these requirements, management does not prepare this information, which is a common situation in all small entities.

Response-Management feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements. Management approves the draft financial statements prior to their issuance.

Conclusion-Response accepted.

Instances of non-compliance:

No matters were noted.

CITY OF OELWEIN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2014

Part III -- Other Findings Related to Statutory Reporting:

III-A-14 Certified Amended Budget--Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the Debt Service Fund. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation--Budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response--The budget will be amended in the future, if applicable.

Conclusion--Response accepted.

III-B-14 Questionable Disbursements--No expenditures were noted for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

III-C-14 Travel Expenses--No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

III-D-14 Business Transactions--No business transactions between the City and City officials or employees were noted.

III-E-14 Bond Coverage--Security bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.

III-F-14 Council Minutes--No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-14 Deposits and Investments--We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

III-H-14 Temporary Investments--The City has a systematic investment program. During the year ended June 30, 2014, the investments resulted in interest income of \$28,470.

CITY OF OELWEIN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2014

- III-I-14 Financial Condition-Special Revenue-Sidewalk Repair, Capital Project Funds - 2014 Bond Sales and Library Bond Fund Proprietary Fund- Water Improvement, Fuel and Well/Water Tower had deficit balances at June 30, 2014.

Recommendation- The City should investigate alternatives to eliminate these deficits and return these funds to a sound financial condition.

Response- The City considers all deficits temporary except for the Library Bond Fund. The City may have to transfer funds to bring this fund to eliminate this deficit.

Conclusion- Response accepted.

- III-J-14 Official Depositories--A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2014.

- III-K-14 Revenue Bonds and Notes --No instances of non-compliance with the revenue bond and note resolutions were noted.

- III-L-14 Reconciliation of Fund Balances-Monies were transferred from Water to Water Sinking Fund and then a portion of the transfer was transferred back. All of this is shown on the same day in August 2013 on City's computer generated records. The net amount, \$2,500, did not exceed the amount stated on the Resolution, but the transfer back was not reflected on the Treasurer's Report. That difference was still on the final year end Treasurer's Report.

Recommendation-The City should be reconciling the reports generated by the computer with the Treasurer's Report.

Response-The City will investigate ways to reconcile to assure that fund balances agree.

Conclusion-Response accepted.

- III-M-14 Holding Checks-During the course of the audit in tracing outstanding checks to subsequent clearing we discovered that there were two checks being held in the vault that had not been signed. One check was dated in April and the other was dated June 30, 2014. All checks state that they are only good for sixty days.

Recommendation-The City should void these checks and reissue when work is completed or invoice received.

Response-In the future the City will not write checks until an invoice is received or the work is completed.

Conclusion-Response accepted.

III-N-14 Inactive Accounts-During the course of the audit we became aware of two accounts with no activity. The W. Charles Mall and the Library Bond accounts showed no activity during the year.

Recommendation-We recommend that the City review these accounts and if they are in fact inactive close those accounts.

Response-The City will look at these accounts to see if they are inactive and therefore should be closed.

Conclusion-Response accepted.

CITY OF OELWEIN

AUDIT STAFF

This audit was performed by:

Donald A. Snitker, CPA, Manager
James Remington, Staff
Brent Waters, Staff